

## AGENDA ITEM VII-A

Public hearing on and consideration of adopting a resolution authorizing the issuance of State of Texas Variable Rate College Student Loan Refunding Bonds in an amount not to exceed \$52,765,000, in one or more series; authorizing the Commissioner to approve all final terms of the bonds; approving the forms of an Official Statement, purchase contract, paying agent/registrar agreement, escrow agreement, remarketing agreement, tender agent agreement, and liquidity agreement; and resolving other matters related to the subject

RECOMMENDATION:        Adopt the resolution:

- 1) authorizing the issuance of State of Texas Variable Rate College Student Loan Refunding Bonds in an amount not to exceed \$52,765,000, in one or more series;
- 2) authorizing the Commissioner to approve all final terms of the bonds;
- 3) approving the forms of an Official Statement, purchase contract, paying agent/registrar agreement, escrow agreement, remarketing agreement, tender agent agreement, and liquidity agreement; and
- 4) resolving other matters related to the subject.

### Background Information:

This variable rate bond issue will refund fixed rate College Student Loan Bonds to include the August 1, 2004 through August 1, 2010 maturities of Series 1994 and the August 1, 2004 maturities of Series 1995, 1996, 1997, and 1999 in the amount of \$52,765,000. In the current low interest rate environment, the Board's financial advisor, First Southwest Company, believes it is advantageous to issue variable rate debt to refund these bonds. The application to issue refunding bonds will be submitted to the Bond Review Board on or before May 4, 2004.

Issuing variable rate refunding bonds is necessary to provide funding for the B-on-Time loan program. With the cash savings from the refunding in 2003 and this refunding staff plans to originate \$22.9 million of B-on-Time loans in FY 2004 and \$34 million in FY 2005. Without the cash savings from this refunding, staff estimates that only \$11.24 million in B-on-Time Loans could be originated in FY 2005.

A public hearing will be held at 11:30 a.m., during consideration of this agenda item, to allow comments from anyone wishing to speak against or in favor of the issuance of these refunding bonds. Federal law requires a public hearing be held on the issuance of any tax-exempt bonds. At the conclusion of the public hearing, the Board will consider the resolution. A copy of the resolution is provided under separate cover.

A representative of the Board's bond counsel, Vinson & Elkins, will explain the proposed bond resolution authorizing the issuance of the bonds, delegating to the Commissioner the approval of all final terms of the bonds, and approving the documents. A representative of the Board's financial advisor, First Southwest Company, will be available to explain the potential benefits and drawbacks of refunding student loan bonds.

On March 15, 2004, the Administration and Financial Planning Committee heard a presentation from the Board's financial advisor, First Southwest Company, on issuing variable rate refunding bonds. The committee recommended the Board approve the refunding of fixed rate College Student Loan Bonds to include the August 1, 2004 through August 1, 2010 maturities of Series 1994 and the August 1, 2004 maturities of Series 1995, 1996, 1997, and 1999, in an amount not to exceed \$52,765,000 and authorize the Commissioner to approve all final terms of the bonds.